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NSC BRIEFING

21 July 1954

SOVIET BLOC NEED FOR COPPER

I. Copper's importance to Soviet Bloc is such that no other metal has been so actively and so persistently sought by clandestine trade.

A. Shipment of copper to Bloc embargoed by COCOM countries since fall 1951.

B. Intensity of Bloc efforts circumvent controls reached peak in 1951-52, when world demand at highest (following Korean outbreak).

C. procurement efforts are still at a high level: evidence shows increasing interest in copper wire and electrolytic copper in all forms.

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II. Copper is essential in industrialized economy: vital to production of military equipment and materiel, industrial machinery and equipment needed for modern war economy.

(Used in ammunition, vehicles, artillery, aircraft, naval vessels, communications and fire-control equipment, etc.)

A. Bloc countries in 1953 produced estimated 13% of world copper ore. However, Bloc consumes 18% of world copper. Gap can be met only by imports from free world.

B. Example, estimated Bloc copper requirement 1953 was 670,000 m.t. 25X1

1. Bloc production - 422,000

2. Imports - 100,000

3. Total - 522,000

4. Thus, unsatisfied requirement of 148,000 m.t., despite imports.

C. Bloc utilized 1953 total of 522,000 m.t. as follows:

1. Munitions, military equipment - 20%

2. Direct support of military - 17%

3. Stockpile - 10%

4. This roughly half available copper, say 250,000 m.t.

III. Bloc copper production now hampered by general need for advanced technology, and by lack of extensive natural resources in certain areas.

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A. In USSR, limit on expansion largely due approaching exhaustion of relatively rich Ural ores, slow development of new production from extensive deposits in Kazakhstan and Central Asia.

1. Kazakhstan ores present metallurgical problems.
2. Exploitation (Central Asia) areas complicated by water shortage, harsh weather.

B. However, gap between Bloc need and production is estimated to be narrowing. Example (thousands metric tons):

	<u>1953</u>	<u>1954</u>	<u>1955</u>
(Require)	670	700	780
(Produce)	<u>422</u>	<u>480</u>	<u>600</u>
Deficit:	248	220	180

IV. Most of free world has cooperated in controlling Bloc purchases of copper. However, problem is complicated by complexity of multiple trade transactions and lack of controls in "free ports" of world.

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- C. Same US analysis indicates Bloc efforts procure additional 192,000 tons, with success possible for half this amount. Deals for other half stopped or disrupted by COCOM administrative action.
- D. Control problem during this period was aggravated by slump the free world demand for copper since early 1953, resulting in accumulation large unsold stocks.
1. Situation especially bad in Chile, where by March 1954 total 175,000 tons unsold.
 2. US then purchased 100,000 tons from Chile, leaving 75,000 on market.

- E. At present, there are no sizeable stockpiles of copper available for sale on the world market (Chile even has some unfilled orders). This should eliminate some of the pressure for sales to Soviet Bloc.